

Message Text

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41

ORIGIN OPIC-12

INFO OCT-01 EB-11 ISO-00 IGA-02 AID-20 TRSE-00 L-03 OMB-01

COME-00 /050 R

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DRAFTED BY CLIPMAN:OPIC/GC:DJL

APPROVED BY EB/IFD/OIA:KENNEDY

OPIC:JKCULMAN

EB/IFD/OIA:TBRODERICK

EA/IMS:ADORNHEIM

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R 261157Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

UNCLAS STATE 137166

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: KAYAN RIVER TIMBER PRODUCTS (KRTP)

1. OPIC AND KRTP HAS AGREED IN LATE 1972 TO AMEND LOAN AGREEMENT TO PROVIDE, AMONG OTHER THINGS, FOR A REDUCTION IN INTERST. BECAUSE OF THE PRESS OF OTHER BUSINESS AND TRAVEL, IT HAS BEEN ONLY RECENTLY THAT AN AMENDED LOAN AGREEMENT HAS BEEN COMPLETED WHICH KRTP HAS REQUESTED BANK INDONESIA ("BI") TO APPROVE.

2. SECTION 5.09 REQUIRES CERTAIN GOI APPROVALS AMONG WHICH ARE EXEMPTION FROM WITHHOLDING TAX AND ASSURANCE OF FOREIGN EXCHANGE AVAILABILITY. THESE ARE SAME REQUIREMENTS WHICH WERE INCLUDED IN ORIGINAL LOAN AGREEMENT (APPROVED BY BI), WHICH OPIC WAIVED BY SIDE LETTER. IN SPITE OF OPIC AGREEING TO WAIVE THESE AGAIN, ACCORDING TO MRS. MULJADI, KRTP JAKARTA COUNSEL, BI WILL NOT APPROVE AMENDED LOAN AGREEMENT. OPIC DOES NOT WISH TO REMOVE THESE PROVISIONS LEST IT ESTABLISH A PRECEDENT. THIS IS ESPECIALLY TRUE WITH RESPECT TO TAX EXEMPTION WHICH WILL BE FORTHCOMING IN PROPOSED TAX TREATY.

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3. OPIC HAS REQUESTED ITS LOCAL COUNSEL PROFESSOR GAUTAMA

TO FOLLOW UP ON THIS; HE HAS NOT YET ANSWERED AND REPORTEDLY
IS OUT OF TOWN. OPIC WOULD APPRECIATE EMBASSY ASSISTANCE
IN THIS MATTER. MR. YANDA OF BI REPORTEDLY IS NOW HANDLING
THIS INSTEAD OF ISSA WHO HAD APPROVED PREVIOUS AGREEMENT.
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Message Attributes

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